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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	Case No. 12-12020 (MG)
)	
RESIDENTIAL CAPITAL, LLC, <u>et al.</u> ,)	Chapter 11
)	
Debtors.)	Joint Administration Pending
)	

**STATEMENT OF FANNIE MAE CONCERNING DEBTORS'
MOTION TO APPROVE SALE PROCEDURES AND RELATED RELIEF**

Fannie Mae submits this Statement with respect to the Debtors' Motion pursuant to 11 U.S.C. §§ 105, 363(b), (f) and (m), 365 and 1123, and Fed. R. Bankr. P. 2002, 6004, 6006 and 9014 for Orders: (A)(I) Authorizing and Approving Sale Procedures, Including Break-Up Fee and Expense Reimbursement; (II) Scheduling Bid Deadline and Sale Hearing; (III) Approving Form and Manner of Notice Thereof; and (IV) Granting Related Relief and (B)(I) Authorizing the Sale of Certain Assets Free and Clear of Lien, Claims, Encumbrances, and Other Interests; (II) Authorizing and Approving Asset Purchase Agreements Thereto; (III) Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases Related Thereto; and (IV) Granting Related Relief [Dkt. No. 61] (the "Motion"),¹ and respectfully states as follows:

¹ Capitalized terms used but not defined herein shall have the meanings ascribed to those terms in the Motion.

1. Although the Debtors have expressly stated that substantive objections to the proposed sale set forth in the Motion are preserved for a later hearing,² and Fannie Mae reserves all of its sale-related objections, Fannie Mae files this statement so that prospective bidders, including any approved stalking horse bidder, are apprised of the position of Fannie Mae with respect to the proposed sale. In support of its Statement, Fannie Mae states as follows:

2. As noted in the Affidavit of James Whitlinger, Chief Financial Officer of Residential Capital, LLC, in Support of Chapter 11 Petitions and First Day Pleadings [Dkt. No. 6] (the “Whitlinger Affidavit”), the Debtors service over 2.4 million mortgage loans with an aggregate unpaid principal balance of approximately \$374.9 billion, approximately 68% of which loans are owned, insured or guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae. (Whitlinger Affidavit ¶14). According to the Debtors, the Debtors service approximately 950,000 loans owned by Fannie Mae, with an aggregate unpaid principal balance of \$153.2 billion. (Declaration of Joseph A. Pensabene in Support of Debtors’ GA Servicing Motion, Non-GA Servicing Motion and Supplemental Servicing Motion [Dkt. No. 256] (“Pensabene Declaration” at ¶ 13). Fannie Mae is by far the largest owner of the loans being serviced by the Debtors, with approximately 99% of the mortgage loans originated or purchased by the Debtors having been sold to Fannie Mae or Freddie Mac or guaranteed by Ginnie Mae, and with approximately 60% of the Debtors’ Loan servicing portfolio for Fannie Mae, Freddie Mac and Ginnie Mae being owned by Fannie Mae. (Whitlinger Affidavit ¶ 14, Pensabene Declaration ¶13).

3. Fannie Mae strongly supports the efforts of the Debtors to maintain the going concern value of their operations and assets while pursuing a plan of reorganization, and, as part of that pursuit, Fannie Mae does not object to a transfer of servicing of the Fannie Mae loan

² See Notice of Hearing filed June 1, 2012 [Dkt. No. 188] (requiring only objections to the entry of the Sale Procedures Order be filed by June 11).

portfolio to a servicer approved by Fannie Mae, on terms acceptable to Fannie Mae. Due to the size of the loan portfolio at issue, it is imperative that any replacement servicer have the operational expertise and capability (as well as the financial wherewithal) to service the loans in accordance with the requirements of Mortgage Selling and Servicing Contract dated as of August 9, 2006, as subsequently may be amended, which incorporates the provisions of the Fannie Mae Selling and Servicing Guides and any Master Contracts or pool purchase contracts that Fannie Mae and GMAC Mortgage have entered into (collectively, each as amended from time to time, the "Fannie Mae Contract"). The Debtors bear the burden of proof that any prospective purchaser can provide Fannie Mae with adequate assurance with respect to the obligations of the Debtors under the Fannie Mae Contract. Any transfer of servicing will effectively require Fannie Mae's consent. Moreover, any purchaser must assume all obligations under the Fannie Mae Contract and cure all defaults, unless otherwise agreed to by Fannie Mae.

4. Fannie Mae looks forward to working productively with the Debtors and prospective bidders on the proposed sale terms. However, Fannie Mae has not consented to the terms for assumption and assignment of the Fannie Mae Contract as set forth in the proposed Asset Purchase Agreement with the proposed stalking horse bidder. Because the Proposed Sale Procedures require potential bidders to submit bids using the stalking horse Asset Purchase Agreement as a template, Fannie Mae files this statement to make clear to prospective bidders in addition to the proposed stalking horse bidder that it has not consented to the terms set forth in the Asset Purchase Agreement that the Debtors propose to use. In particular, the proposed Asset Purchase Agreement does not contemplate of assumption of all obligations of the Debtors set forth in the Fannie Mae Contract or provide adequate assurance to Fannie Mae with respect to the obligations of the Debtors. In addition, the proposed form of Asset Purchase Agreement

contemplates substantial and material modifications to the Fannie Mae Contract, none of which have been agreed to.

5. Fannie Mae accordingly reserves all of its rights with respect to the proposed assumption and assignment of the Fannie Mae Contract and approval of the sale.

Dated: New York, New York
June 11, 2012

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